

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	Merrill District Library	County	SAGINAW	Type	LIBRARY	MuniCode	73-8-001
Opinion Date-Use Calendar	Jun 24, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 66,479.00
General Fund Expenditure:	\$ 73,502.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 103,352.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Heather	Last Name	Thomas	Ten Digit License Number	1101024719		
CPA Street Address	4855 State Street	City	Saginaw	State	MI	Zip Code	48603
CPA Firm Name	Gardner, Provenzano, Schaun	Unit's Street Address	321 West	City	Saginaw	LU Zip	48637

**MERRILL DISTRICT LIBRARY
MERRILL, MICHIGAN**

**FINANCIAL STATEMENTS
December 31, 2007**

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

June 24, 2008

To the Board
Merrill District Library
Merrill, Michigan

We have audited the accompanying financial statements of the governmental activities of the Merrill District Library as of and for the year ended December 31, 2007, which comprise the Merrill District Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Merrill District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Merrill District Library at December 31, 2007, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles and with applicable rules and regulations of the State Treasurer.

To the Board of Trustees
Merrill District Library
Page Two

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

MERRILL DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2007

This section of the financial report presents our discussion and analysis of the Merrill District Library's financial performance for the year ended December 31, 2007. It is meant to provide an overall review of the Library's financial activities and provide a look at its past and current financial position. Readers should also review the Library's financial statements, immediately following this section, to enhance their understanding of the Library's financial performance.

The Merrill District Library is a special purpose government engaged in a single government program of providing library services. As allowed by GASB for single purpose governments, the government-wide and fund level statements are combined. The Governmental Accounting Standards Board (GASB) is the accounting standard-setting body for governmental entities.

Using this Annual Report

This annual report consists of the following three parts:

Management's Discussion and Analysis (this section)
Basic Financial Statements
Required Supplemental Information

These statements are organized to help the reader understand the financial position of the Merrill District Library. The government-wide financial statements provide information about the activities of the Library as a whole. The fund financial statements provide the next level of detail, providing more detailed information about the Library's General Fund. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by required supplemental information that supports and further explains the financial statements with a comparison of the Library's budget for the year.

Government-wide Financial Statements

The government-wide statements provide financial information of the Library as a whole. They report on the governmental activities of the Library, which includes most of the Library's basic services, including programming and technology. These activities are mostly funded by property taxes, penal fines and state shared revenue. These statements use the full accrual basis of accounting, similar to private sector companies. There are two government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets includes all the assets and liabilities of the Library, whether short-term or long-term, and regardless of whether or not they are currently available. As a result, capital assets of the Library are included in this statement.

Government-wide Financial Statements (continued)

The Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid, consistent with the full accrual basis method of accounting.

When analyzed together, these two statements help the reader determine whether the Library is financially stronger or weaker as a result of the year's activities. Both statements report the Library's net assets, which is the difference between the Library's assets and liabilities. The change in net assets is one way to measure the Library's financial health or position. Over time, increases and decreases in the Library's net assets are an indicator of whether the Library's financial health is improving or deteriorating. However, the Library's goal is to provide services to our patrons, not generate profits as in the private sector. As a result, other non-financial factors should be considered in assessing the overall health of the Library. Such factors would include the condition of the Library's building and the property tax base of the library.

Fund Financial Statements

The fund financial statements focus on providing more detailed information about the Library. The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. The fund statements provide a detailed short-term view of the Library's operations and help in determining whether there are more or less financial resources available in the near future to finance the Library's programs and services provided.

MERRILL DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2007

Fund Financial Statements (continued)

Summary of Net Assets

The net assets for the Library were \$298,009 at December 31, 2007 as follows:

<u>Governmental Activities</u>	<u>2007</u>
Assets	
Current assets	\$ 145,556
Capital assets	194,657
Total Assets	<u>\$ 340,213</u>
Liabilities	
Current liabilities	<u>\$ 42,204</u>
Total Liabilities	<u>42,204</u>
Net Assets	
Capital assets	194,657
Unrestricted	103,352
Total Net Assets	<u>\$ 298,009</u>

The largest portion of the Library's assets consist of investment in capital assets. The remainder of net assets is unrestricted and will be used to fund future programming.

Statement of Net Assets Operating Results

	<u>2007</u>
Revenues	
Current property taxes	\$ 39,677
State revenue	2,763
Penal fines	14,860
Interest earned	3,877
Other	5,302
Total Revenue	<u>66,479</u>
Expenses	
Library services	<u>94,443</u>
Change in net assets	(27,964)
Net assets-Beginning	325,973
Net assets-Ending	<u>\$ 298,009</u>

MERRILL DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2007

Fund Financial Statements (continued)

As shown above, the net assets for the Library decreased by \$27,964 during the year. This decrease is mainly due to the prepayment of a special assessment for water lines and depreciation expense.

The Statement of Activities presented later provides greater detail on the Library's activity. The cost of providing Library services this year was \$94,443. The amount financed through property taxes was \$39,677.

Local Property Tax History

<u>Fiscal Year Revenue</u>	<u>% of Revenue</u>	<u>Local Property Tax</u>
2007	60%	\$ 39,677
2006	51%	\$ 29,796
2005	51%	\$ 29,269
2004	54%	\$ 28,276

Local property tax revenues in the table include the receipt of delinquent taxes from prior years.

Budgetary Highlights

The Library decreased fund balance by \$7,023 for the year ended December 31, 2007. This decrease was due to the prepayment of the special assessment for water lines.

Budget Adjustments First Vs. Final Budget

A significant variance between the first and final budget for revenue is as follows:

- In December of 2006, a millage increase was passed in one Township. The amended budget reflects the additional tax revenue.

Management believes none of the variances between the first and final budgets for expenditures were significant.

Budget Variance Final Vs. Actual

Management believes none of the variances between the final budget and the actual results were significant for revenue.

MERRILL DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2007

Budget Variance Final Vs. Actual (continued)

A significant variance between the final budget and actual results is as follows:

- The Library paid off a special assessment for water lines all in one year instead of spreading the payment over several years.

Capital Assets

At the end of the year, the Library had \$194,657 invested in capital assets as follows:

	2007
Land	\$ 12,405
Building	148,358
Equipment, furniture, software	75,265
Collection	297,560
Total capital assets	<u>533,588</u>
Less: Accumulated depreciation	<u>(338,931)</u>
Capital assets, net of depreciation	<u>\$ 194,657</u>

The Library added \$7,970 in additions to the collection.

Currently Known Facts, Decisions, or Conditions

The Merrill District Library passed a District Wide Millage on the ballot in August 2006. The millage is 6/10 of a mill for both Jonesfield and Lakefield. This increased the Library budget by \$9,880.

We also know that the State Aid per year per capita was reduced from \$0.3590 to \$0.3246.

The Village of Merrill has put in city water and the Merrill District Library chose to pay off the water assessment which was \$7,423.

The Merrill District Library was part of the PACHUG grant by the Gateway Foundation. The Library received two new computers and the software to support them during the 2008 fiscal year. The total amount received from the grant was \$2,359.

MERRILL DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2007

Request for Information

This report is designed to provide a general overview for anyone interested in the Library's finances. Questions concerning this report should be addressed to:

Library Director
Merrill District Library
321 West Saginaw
Merrill, MI 48637

BASIC FINANCIAL STATEMENTS

Merrill District Library
Governmental Fund Balance Sheet/Statement of Net Assets
December 31, 2007

	General Fund, Modified Accrual Basis	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash	\$ 30,063	\$ -	\$ 30,063
Investments	75,955	-	75,955
Taxes receivable	38,345	-	38,345
Prepays	1,193	-	1,193
Capital assets	-	194,657	194,657
Total Assets	<u>\$ 145,556</u>	<u>\$ 194,657</u>	<u>\$ 340,213</u>
<u>Liabilities</u>			
Liabilities			
Accounts payable	\$ 2,033	\$ -	\$ 2,033
Accrued payroll taxes	1,826	-	1,826
Deferred revenue	38,345	-	38,345
Total Liabilities	<u>42,204</u>	<u>-</u>	<u>42,204</u>
Fund Balance/Net Assets			
Fund Balance			
Undesignated, unreserved	103,352	(103,352)	-
Total Fund Balance	<u>103,352</u>	<u>(103,352)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 145,556</u>		
Net assets:			
Investment in capital assets		194,657	194,657
Unrestricted		103,352	103,352
Total Net Assets		<u>\$ 298,009</u>	<u>\$ 298,009</u>

The accompanying notes are an integral part of these financial statements.

Merrill District Library
Reconciliation of Balance Sheet of Governmental Fund To Statement of Net Assets
December 31, 2007

Total Fund Balances - Governmental Funds	\$ 103,352
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets are not financial resources, and are not reported in the funds	<u>194,657</u>
Total Net Assets - Government-Wide	<u><u>\$ 298,009</u></u>

The accompanying notes are an integral part of these financial statements.

Merrill District Library
Statement of Governmental Revenue, Expenditures, and Changes
in Fund Balance/Statement of Activities
For the Year Ended December 31, 2007

	General Fund, Modified Accrual Basis	Adjustments	Statement of Activities
Revenues:			
Property taxes	\$ 39,677	\$ -	\$ 39,677
Penal fines	14,860	-	14,860
State revenue sharing	2,763	-	2,763
Interest	3,877	-	3,877
Contributions and memorials	3,354	-	3,354
Miscellaneous	1,948	-	1,948
Total Revenue	<u>66,479</u>	<u>-</u>	<u>66,479</u>
Expenditures/expenses:			
Culture and recreation - library:			
Wages	34,492	-	34,492
Payroll taxes	3,005	-	3,005
Mileage	160	-	160
Books	7,940	(7,940)	-
Periodicals	789	-	789
Insurance	3,775	-	3,775
Memberships and dues	1,428	-	1,428
Utilities	4,824	-	4,824
Professional services	650	-	650
Supplies	4,090	-	4,090
Programs	445	-	445
Repairs and maintenance	4,439	-	4,439
Miscellaneous	42	-	42
Special assessment water lines	7,423	-	7,423
Depreciation	-	28,881	28,881
Total Expenditures/expenses	<u>73,502</u>	<u>20,941</u>	<u>94,443</u>
Excess (deficit) of revenues over expenditures/Change in Net Assets	(7,023)	(20,941)	(27,964)
Fund Balance/Net Assets Beginning	110,375	215,598	325,973
Fund Balance/ Net Assets Ending	<u>\$ 103,352</u>	<u>\$ 194,657</u>	<u>\$ 298,009</u>

The accompanying notes are an integral part of these financial statements.

Merrill District Library
Reconciliation of Statement of Revenue, Expenditures, and Changes in
Fund Balances of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2007

Net Change in Fund Balances - Governmental Funds	\$ (7,023)
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Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	7,940
Depreciation	<u>(28,881)</u>
Change in Net Assets-Governmental-wide	<u>\$ (27,964)</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

MERRILL DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies

The Reporting Entity

The Merrill District Library was established in 1963, under Public Act 164 of 1877, as amended. An independently elected board sets policy, plans for future direction, and takes responsibility for the overall operations of the Library.

The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special relationships. On this basis, the financial statements of the Library are not included in other governmental entities.

The financial statements of the Merrill District Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies are described below.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the activities of the Library. Governmental activities, normally supported by taxes and inter-governmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. At this time, the Library has no business type activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

MERRILL DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Library reports only one fund as follows:

- The General Fund is used to record the operations and maintenance of the Library. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Equity

Cash and investments – The Library has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Investments are stated at fair value based on a quoted market price. Certificates of deposit are stated at cost which approximates fair value.

Receivables and payables – Property tax receivables are shown as gross amounts since uncollectible personal property taxes are undeterminable at year end and the County settles for all real property taxes.

Property Taxes

It is the policy of the Library to recognize revenues from the current property tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for financing library operations. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County delinquent tax rolls. The amount levied in 2006 for 2007 library operations was .6 mills for Jonesfield Township and .6 mills for Lakefield Township.

MERRILL DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Significant Accounting Policies (continued)

Property Taxes (continued)

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The Library does not have infrastructure assets. Capital assets are depreciated using the straight-line method over the following useful lives:

Building and building improvement	20 to 50 years
Furniture and equipment	5 to 10 years
Collections	2 to 3 years

Accounts payable – These amounts are due to vendors at year end.

Deferred revenue – Property taxes levied in 2007 for the 2008 operations are recognized as deferred revenue.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

NOTE 2--Budgetary Policies and Data

The State of Michigan adopted a Uniform Budgeting and Accounting Act (ACT) applicable to all local governmental entities in the State. The law requires appropriation acts to be adopted for the General Fund.

The Board adopts appropriation utilizing the modified-accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. A library is not considered to be in violation of the Act if reasonable procedures are in use by the library to detect violations.

MERRILL DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Budgetary Policies and Data (continued)

The Merrill District Library uses these procedures in establishing the budgetary data reflected in the financial statements:

1. The Library Director submits to the Board a proposed budget by January 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget, and any amendments, is adopted on the modified accrual basis of accounting by a majority vote of the Library Board. The budgeted amounts shown in these financial statements are as amended by the Library Board.
4. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budget appropriations lapse at the end of each fiscal year.

NOTE 3--Capital Assets

A summary of the changes in capital assets is as follows:

	December 31, 2006	Additions	Disposals	December 31, 2007
<u>Governmental activities:</u>				
Capital assets not being depreciated				
Land	\$ 12,405	\$ -	\$ -	\$ 12,405
Total capital assets not being depreciated	12,405	-	-	12,405
Capital assets being depreciated				
Building	148,358	-	-	148,358
Equipment, furniture and software	75,265	-	-	75,265
Collection	297,560	7,940	(7,940)	297,560
Total capital assets being depreciated	521,183	7,940	(7,940)	521,183
Less: Accumulated depreciation	(317,990)	(28,881)	7,940	(338,931)
Governmental activities Capital assets, net of depreciation	\$ 215,598	\$ (20,941)	\$ -	\$ 194,657

MERRILL DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Deposits and Investments

The library is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The library is also authorized by the State of Michigan to invest in the following:

- a. U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and U.S. Treasury STRIPS
- b. TINTS-Treasury Interest Securities
- c. PRINS or STRIPS-Treasury Principal Securities
- d. Certificates of Deposits, Saving Deposit Receipt and Savings Accounts,
- e. Commercial Paper-short term unsecured debt obligation issued by a bank holding company, finance company, utility or industrial company to raise short-term cash
- f. Repurchase Agreements
- g. Banker's Acceptance
- h. Investment Pools

The investment policy adopted by the Library is in accordance with Public Act 196 of 1997. The Library's investments have been made in accordance with statutory authority.

The FDIC insures up to \$100,000 in deposits. However, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for purposes of applying the \$100,000 limit.

The Library's deposits are categorized below according to level of credit risk:

- Category 1 represents the Library's insured or collateralized deposits with securities held by the Library or by its agent in the Library's name.
- Category 2 represents the Library's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Library's name.
- Category 3 represents the Library's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Library's name.

MERRILL DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Deposits and Investments (continued)

A summary of those deposits is as follows:

	1	Category 2	3	Bank Balance	Carrying Amount
Checking	\$ 35,806	\$ -	\$ -	\$ 35,806	\$ 30,063
Investments	75,955	-	-	75,955	75,955
Totals	<u>\$ 111,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,761</u>	<u>\$ 106,018</u>

NOTE 5--Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. During the year ended December 31, 2007, the Library carried commercial insurance for the above listed risks of loss.

NOTE 6--Lease

The Merrill District Library leases its copier. Monthly payments are \$55. The amount expensed during the year ended December 31, 2007 was \$220. At December 31, 2007, the Library had opted to purchase the copier previously leased.

REQUIRED SUPPLEMENTAL INFORMATION

Merrill District Library
Budgetary Comparison-General Fund
For the Year Ended December 31, 2007

	Budget Amounts			Actual Over (Under) Budget
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 35,500	\$ 39,677	\$ 39,677	\$ -
Penal fines	14,900	14,860	14,860	-
State revenue sharing	2,500	2,763	2,763	-
Interest	3,500	3,285	3,877	592
Contributions and memorials	3,200	2,864	3,354	490
Miscellaneous	2,300	1,833	1,948	115
Total revenues	<u>61,900</u>	<u>65,282</u>	<u>66,479</u>	<u>1,197</u>
Expenditures:				
Culture and recreation - library:				
Wages	33,100	33,583	34,492	909
Payroll taxes	3,300	2,223	3,005	782
Mileage	250	160	160	-
Books	4,133	6,043	7,940	1,897
Periodicals	250	422	789	367
Insurance	4,800	3,707	3,775	68
Memberships and dues	1,530	1,243	1,428	185
Utilities	4,000	4,176	4,824	648
Professional services	1,400	550	650	100
Supplies	1,500	2,188	4,090	1,902
Programs	337	526	445	(81)
Repairs and maintenance	3,100	1,557	4,439	2,882
Miscellaneous	200	42	42	-
Special assessment water lines	-	-	7,423	7,423
Capital outlay	4,000	3,409	-	(3,409)
Total expenditures	<u>61,900</u>	<u>59,829</u>	<u>73,502</u>	<u>13,673</u>
Excess of revenues over expenditures	-	5,453	(7,023)	(12,476)
Fund Balance, Beginning	110,375	110,375	110,375	-
Fund Balance, Ending	<u>\$ 110,375</u>	<u>\$ 115,828</u>	<u>\$ 103,352</u>	<u>\$ (12,476)</u>



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

June 24, 2008

To the Board
Merrill District Library
Saginaw, Michigan

We appreciate the opportunity to conduct your audit this year. As we've discussed with you previously, we are writing to you as we complete the audit to communicate any control deficiencies we identified during the audit and determined to be significant deficiencies or material weaknesses. This communication is a requirement of the new auditing standard: **Statement on Auditing Standards (SAS) 112: Communicating Internal Control Related Matters Identified in an Audit**. The new standard applies to the audits of any financial statements with periods ending on or after December 15, 2006.

In planning and performing our audit of your financial statements for period ending December 31, 2007, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting (internal control) as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as a part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did identify certain deficiencies in internal control that we consider to be significant deficiencies that are discussed below. It is important to note that control deficiencies are not necessarily problems you will choose to address; however, they do represent potential risks. Our duty as your auditors is to ensure that you understand where you have these deficiencies or weaknesses so that you can make informed business decisions on how best to respond to these risks.

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Significant Deficiencies

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects your entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of your financial statements that is more than inconsequential will not be prevented or detected by your internal control. We believe that the following deficiencies constitute significant deficiencies:

- We noted audit entries had not been made from the 2005 audit. In order for the Board to have accurate and useful information, we recommend that audit entries be made as soon as the audit has been finalized.
- We noted petty cash is not accounting for on an imprest basis. We recommend that the petty cash fund be set up in a fixed amount that is expected to be adequate for present needs. To reimburse the fund, a check should be drawn in the amount equal to the receipts on hand, which should be labeled to indicate payment and should accompany the reimbursing check when submitted for signature.

Material Weaknesses

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by your internal control. We do not believe the significant deficiencies mentioned above constitute a material weakness.

This written communication related to the significant deficiencies and material weaknesses identified during this year's audit is intended solely for the information and use by your management, those charged with your organization's governance, others you deem appropriate within your organization, and any governmental authorities you need to share this information with. It is not intended for use by anyone other than these specified parties.

To the Board
Merrill District Library
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We are available to answer any questions that you may have related to the control deficiencies we identified during your audit or discuss the benefits and associated costs of any options you have for remedying them if you would like to do so. If you would like to set up a meeting to discuss this communication or your organization's internal controls, please feel free to contact me.

We appreciate the opportunity to conduct your organization's audit.

Sincerely,

Gardner, Provenzano, Schauman & Thomas, P.C.

Certified Public Accountants